



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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J. TYLER McCAULEY
AUDITOR-CONTROLLER

May 8, 2007

TO: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Yvonne B. Burke
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley 
Auditor-Controller

SUBJECT: **SPECIAL SERVICES FOR GROUPS CONTRACT - WORKFORCE
INVESTMENT ACT YOUTH PROGRAM**

We have conducted a program, fiscal and administrative contract review of Special Services for Groups (SSG or Agency), a Workforce Investment Act (WIA) service provider.

Background

The Department of Community and Senior Services (DCSS) contracts with SSG, a private non-profit community-based organization, to provide and operate the WIA Youth Program. The WIA Youth Program is a comprehensive training and employment program for in-school and out-of-school youth ages 14 to 21 years old. SSG's offices are located in the First, Second and Fourth Districts.

SSG is compensated on a cost reimbursement basis. SSG's contract for Fiscal Year 2006-07 is for \$328,230.

Purpose/Methodology

The purpose of the review was to determine whether SSG complied with its contract terms and appropriately accounted for and spent WIA funds in providing services to eligible participants. We also evaluated the adequacy of the Agency's accounting records, internal controls and compliance with federal, State and County guidelines.

"To Enrich Lives Through Effective and Caring Service"

Results of Review

Overall, the SSG provided the services in accordance with the County contract. The Agency maintained appropriate documentation to support the participants' eligibility in receiving program services. The Agency also maintained appropriate documentation to support the program expenditures billed to DCSS. The five program participants/guardians interviewed stated that the services the participants received met their expectations.

Details of our review along with recommendations for corrective action are attached.

Review of Report

We discussed our report with SSG on March 22, 2007. In their attached response, SSG management concurred with our findings and recommendations and repaid DCSS for the expenses not allowed. Due to the confidential nature of some of the documents SSG attached to their response, we did not include all of the attachments SSG management referenced in their response. We also notified DCSS of the results of our review.

We thank SSG for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (626) 293-1102.

JTM:MMO:DC

Attachment

c: David E. Janssen, Chief Administrative Officer
Cynthia Banks, Director, Department of Community and Senior Services
Herb Hatanaka, Executive Director, Special Services for Groups
Public Information Office
Audit Committee

**WORKFORCE INVESTMENT ACT PROGRAM
SPECIAL SERVICES FOR GROUPS
FISCAL YEAR 2006-07**

ELIGIBILITY

Objective

Determine whether Special Services for Groups (SSG or Agency) provided services to individuals that meet the eligibility requirements of the Workforce Investment Act (WIA).

Verification

We selected a sampled of 10 (25%) youth program participants from a total of 40 participants that received services during July to September 2006 and reviewed their case files for documentation to confirm their eligibility for WIA services.

Results

All ten participants met the eligibility requirements for the WIA program.

Recommendation

There are no recommendations for this section.

BILLED SERVICES/CLIENT VERIFICATION

Objective

Determine whether the Agency provided the services in accordance with the County contract and WIA guidelines. In addition, determine whether the participants received the billed services.

Verification

We reviewed the documentation contained in the case files for 10 (25%) participants that received services during July to September 2006. We also interviewed five participants/guardians.

Results

The five participants/guardians interviewed confirmed that the services they received met their expectations. However, SSG did not accurately report the program activities for two (20%) of the ten participants such as educational and work experience on the Job Training Automation (JTA) system. The JTA system is used by the State of

California Employment Development Department and the Department of Labor to track WIA participant activities. The prior year's monitoring report also noted that SSG did not accurately update the JTA system.

Recommendation

1. SSG management ensure that staff accurately update the JTA system to reflect the participants' program activities.

CASH/REVENUE**Objective**

Determine whether cash receipts and revenues are properly recorded in the Agency's records and deposited timely in their bank account. Determine whether there are adequate controls over cash, petty cash and other liquid assets.

Verification

We interviewed Agency personnel and reviewed financial records. We also reviewed the bank reconciliation for July 2006.

Results

SSG maintained adequate controls to ensure that revenue is properly deposited in a timely manner.

Recommendation

There are no recommendations for this section.

EXPENDITURES/PROCUREMENT**Objective**

Determine whether program related expenditures are allowable under the County contract, properly documented and accurately billed.

Verification

We interviewed Agency personnel, reviewed financial records, and reviewed documentation for 12 (46%) non-payroll expenditure transactions billed by the Agency for July and August 2006, totaling \$12,735.

Results

Overall, SSG maintained sufficient documentation to support the program expenditures. In one instance, SSG billed DCSS \$110 for a prior year's expenditure which is not allowed.

Recommendation

2. SSG management repay DCSS \$110 and ensure that expenditures charged to the WIA program are for costs incurred during the contract period.

INTERNAL CONTROLS/CONTRACT COMPLIANCE**Objective**

Determine whether the contractor maintained sufficient internal controls over its business operations. In addition, determine whether the Agency is in compliance with other program and administrative requirements.

Verification

We interviewed Agency personnel, reviewed their policies and procedures manuals, conducted an on-site visit and tested transactions in various areas such as cash, expenditures, payroll and personnel.

Results

SSG maintained sufficient internal controls over its business operations.

Recommendation

There are no recommendations for this section.

FIXED ASSETS AND EQUIPMENT**Objective**

Determine whether SSG's fixed assets and equipment purchases made with WIA funds are used for the WIA program and are safeguarded.

Verification

We conducted a physical inventory of the one item funded by WIA funds which totaled approximately \$1,000.

Results

SSG used the equipment purchased with WIA funding for the WIA program. In addition, the item was safeguarded.

Recommendation

There are no recommendations for this section.

PAYROLL AND PERSONNEL**Objective**

Determine whether payroll is appropriately charged to the WIA program. In addition, determine whether personnel files are maintained as required.

Verification

We traced and agreed the payroll expenses invoiced for all seven employees in August 2006, totaling \$13,840 to the payroll records and time reports. We also interviewed two staff and reviewed the personnel files for five staff assigned to the WIA program.

Results

SSG appropriately charged payroll expenses to the WIA program. In addition, SSG's personnel files were properly maintained.

Recommendation

There are no recommendations for this section.

COST ALLOCATION PLAN**Objective**

Determine whether SSG's cost allocation plan is appropriate and reasonable, prepared in compliance with the County contract and applied to program costs.

Verification

We reviewed the cost allocation plan and reviewed a sample of expenditures incurred by the Agency in July and August 2006.

Results

SSG did not allocate a gasoline expenditure totaling \$539 in accordance with their cost allocation plan. SSG billed the 100% of their gasoline costs to WIA program. According

to SSG's cost allocation plan, shared costs should be allocated based on the number of participants served by program.

Recommendations**SSG management:**

3. Determine the over charged for shared program cost and repay the amount to DCSS.
4. Ensure that shared costs are allocated according to SSG's cost allocation plan.

PRIOR YEAR FOLLOW-UP**Objective**

Determine the status of the recommendations reported in the prior monitoring review completed by the Auditor-Controller.

Verification

We verified whether the outstanding recommendations from FY 2005-06 monitoring review were implemented. The report was issued in April 2006.

Results

The prior year's monitoring report contained seven recommendations. SSG implemented six (86%) of the seven recommendations. As previously indicated, the outstanding finding was also noted during our current monitoring review.

Recommendation

5. SSG management implement the outstanding recommendation from the FY 2005-06 monitoring report.



March 26, 2007

Herbert K. Hatanaka, DSW
Executive Director

SSG PROGRAMS

Asian Pacific AIDS
Intervention Team (APAIT)
Asian Pacific Counseling &
Treatment Center (APCCTC)
APCCTC for Seniors
Information & Services (APCCTC-IS)
Asian Pacific Residential
Treatment Program
Boyle Heights Neighborhood Center
Cancer Program (BHCNCP)
Children's Dental & Community Health
Center (CDCCHC)
Coping Program of Seniors (COPS)
Domestic Outreach Program (DOP)
Hawking & Hawking Program
Hawking & Hawking Counseling &
Treatment Center
HHS Community &
Partnership Program (HHSPP)
International Identity
Program (IIP)
Pacific Asian American &
Asian American (PAA)
Pacific Asian Language Services (PALS)
Pacific Neighborhood
Health Program (PNHP)
Long-term Community Health Center
West Hollywood Child
Development Center
CONSORTIA
Asian and Pacific Islander
Mental Health Alliance
Cancer Management
Program (CAMP)
Cancer Care Program (CCP)
ALLIANCE ORGANIZATIONS
Asian American Alcohol and
Drug Abuse Center (AADC)
LA Asian Pacific American
Heritage Community
Center (LAAPAC)
Asian Pacific Islander
Community Alliance
West Hollywood Food Coalition
BOARD MEMBERS
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J. Tyler McCauley
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Department of Auditor-Controller
Countywide Contract Monitoring Division
1000 South Fremont Avenue, Unit 51 Bldg A9 East
Alhambra, California 91803-4737

**Re: Agency Response to Fiscal and Administrative Contract
Review of WIA Contract - Program Year 2006-2007**

Dear Mr. Tyler:

Attached is Special Service Groups' response to the audit performed by your agency on the Workforce Investment Act Program for contract year 2006-2007.

A copy of the attached response is also being sent to Jackie Sakane, Program Manager for this contract. We are also sending her the checks that are included in our response.

Please call Beth DeLosSantos at 213-553-1825 if you have any question regarding these documents. Thank you for your patience and consideration.

Sincerely,

A handwritten signature in black ink, appearing to read 'Herb Hatanaka', is written over the typed name.

Herbert Hatanaka, DSW
Executive Director

Attachments

**SPECIAL SERVICE FOR GROUPS
RESPONSE TO FISCAL MONITORING FOR PROGRAM YEAR 2005-2006
WORKFORCE INVESTMENT ACT PROGRAMS**

Billed Services/Client Verification-Page 2

Recommendation:

1. SSG management ensures that staff accurately updates the JTA system to reflect the participant's program activities.

Agency's Response:

SSG Program management met with and trained staff on how to accurately update the JTA system to reflect the participant's program activities. Please see attached proof of the Status Roster reflecting Goal/Activity Codes.

Expenditures/Procurement

Recommendation:

2. SSG management repay DCSS \$110 and ensure that expenditures charged to the WIA program are for costs incurred during the contract year.

Agency's Response:

Enclosed is SSG's check for \$110.00 to repay expenses incurred in the prior year and paid during the current contract year. This was an oversight. The \$110.00 was for expenses dated June 26 and June 29, 2006. However, these amounts were included in the statement received and to be paid in July 2006.

Cost Allocation Plan – Page 4

SSG did not allocate their \$539 in gasoline expenditures in accordance with their cost allocation plan. SSG billed 100% of their gasoline costs to WIA program. According to SSG's cost allocation plan, the shared costs

SPECIAL SERVICE FOR GROUPS
RESPONSE TO FISCAL MONITORING FOR PROGRAM YEAR 2005-2006
FOR CSS EMPLOYMENT AND TRAINING PROGRAMS
Page 2 of 2

should be allocated based on the number of participants served by the activity.

Recommendation:

SSG management :

3. Determine the overcharged shared program costs and repay the amount to DCSS.
4. Ensure that shared costs are allocated according to SSG's cost allocation plan.

Agency's Response:

3. In reviewing the month in question, the program site had determined that in July 2006, 22 of the 26 van trips were for WIA, which makes the allocation 85% of the gas bill for the van. I apologize for the wrong assumption that was applied to this bill. The 85% usage is consistent with SSG's cost allocation plan.

The total expense (100%) that was allocated to WIA was \$539.00. Of this \$539.00, \$110.00 was being returned to WIA for prior year's expense. The remainder is **\$429.00** to be applied to current year. 85% is \$364.65 which leaves **\$64.35** to be returned to DCSS.

We are enclosing another check for \$64.35 which represents 15% of the July 2005 gas bill.

4. Going forward, SSG management will ensure that shared costs are allocated according to our cost allocation plan.